CITY AND COUNTY OF SAN FRANCISCO OFFICE OF THE CONTROLLER

Ben Rosenfield
Controller

Monique Zmuda
Deputy Controller

MEMORANDUM

TO: David Chiu, President, Board of Supervisors

FROM: Ben Rosenfield, Controller

DATE: February 6, 2012

SUBJECT: Evaluation of America's Cup Organizing Committee Fundraising Reference #20120124-001

This memo is in response to your request that the Controller's Office conduct an independent evaluation of the America's Cup Organizing Committee's (ACOC) obligation under the Host and Venue Agreement (Host Agreement) to raise $12 million by the completion of the Environmental Impact Report (EIR) for venue sites.

Findings

- As of the date of this memo, the ACOC has not paid the City any portion of the $12 million in revenue that is assumed in the City's fiscal year (FY) 2011-12 budget.
- The Controller's Office can confirm written pledges, letters, or agreements totaling $12 million, payable to the ACOC over the coming three years.
 - Approximately $4 million of this amount is payable through various signed pledges with 21 individual and foundation donors.
 - $8 million of this amount is payable during the current fiscal year as part of a larger revenue sharing agreement between the ACOC and the America's Cup Event Authority.
- Given the ACOC's expenses and fundraising payout schedules, significant additional fundraising beyond those achieved to date will be required to honor the $32 million fundraising goals outlined in the Host Agreement over the coming three years.

Background

Under the Host Agreement for the 34th America's Cup, the ACOC agreed to fundraise $32 million from private sources over three years to reimburse a portion of the City and County of San Francisco's costs associated with the event, including police, transit, and other associated expenses. This $32 million fundraising requirement is in addition to the $32 million bond that the Host

Agreement requires the ACOC to provide. Part 2.2(h) of the Host Agreement states the City may terminate this agreement if the ACOC fails to meet its year one fundraising target of $12 million by the timetable provided in Section 9.4.

Section 9.4 of the agreement states that the ACOC "will endeavor to meet its year one fundraising target... no later than seven working days after completion of the environmental review pursuant to CEQA." The Planning Commission certified the final EIR on December 15, 2011, which was then appealed to the Board of Supervisors. The Board of Supervisors rejected the appeals and affirmed the certification of the final environmental impact report on January 24, 2012. The ACOC deadline for meeting its fundraising target was therefore January 31, 2012. There is no stated deadline in the Host Agreement for payment of the $12 million by the ACOC to the City.

Methodology

Financial and performance staff from the Controller's Office and Port Commission visited the America's Cup Organizing Committee (ACOC) office on January 31, 2012 and reviewed the following:

- In-house report related to pledges made to the ACOC and the amounts received;
- Documents evidencing pledges, the amounts of pledge payments and the timing of the pledge payments;
- Documentation verifying pledge payments received;
- In-house reports on organizational costs, including costs incurred to-date;
- In-house projections of organizational cash-flow through January 2014;
- In-house report on financial obligations through January 2014; and
- Projected amounts to-be-raised through fundraising efforts over the next nine months.

Additional documents were reviewed subsequent to the onsite inspection and prior to the issuance of this memo.

Summary of Findings

Identified sources of funding include $800,000 cash that the ACOC received in calendar year 2011, donor correspondence pledging approximately $1.3 million in both calendar years 2012 and 2013 followed by $600,000 in 2014. Of this $4 million total, $450,000 was stated to be restricted by the funders. A portion of the 21 written pledges come from well-known Bay Area foundations and philanthropists that have a long track record of delivering their pledges for favored cultural and civic institutions.

The ACOC has received one additional written pledge, totaling $8 million payable during the current fiscal year. This written pledge is an advance of future payments owed to the ACOC as part of a revenue sharing agreement between the ACOC and the Event Authority.

Given reported and projected ACOC expenditures and pledges received to date, it would appear that the ACOC will be financially positioned to make a payment of approximately $8 million to the City during the current fiscal year absent additional fundraising.

Controller's Office Summary:

Status of ACOC Fundraising and Expenses

Calendar Year	2011	2012	2013	2014	Total	
Payments & Pledges						
Payments received	$827,088				$827,088	
Written pledges		$1,300,000	$1,275,000	$600,000	$3,175,000	
Revenue sharing agreement		$8,000,000			$8,000,000	(1)
	$827,088	**$9,300,000**	**$1,275,000**	**$600,000**	**$12,002,088**	(2)
Planned ACOC Expenses						
Operating costs	$492,000	$844,000	$900,000	$50,000	$2,286,000	
Other costs		$520,000	$1,220,000		$1,740,000	
	$492,000	**$1,364,000**	**$2,120,000**	**$50,000**	**$4,026,000**	(3)
Annual Surplus / (Deficit)	**$335,088**	**$7,936,000**	**($845,000)**	**$550,000**	**$7,976,088**	(4)

(1) Does not include potential future ACOC revenues from revenue sharing agreement with the Event Authority

(2) Does not include donations currently planned or under cultivation by the ACOC

(3) Does not include the expense associated with a possible bond slated for either 2012 or 2013

(4) Prior to committed $32 million payments to the City